

# **J. C. PENNEY COMPANY**

**A DELAWARE CORPORATION**

**OPERATING 1605 RETAIL STORES**

## **Annual Report**

# **1941**

***December 31, 1941***



# FOREWORD . . .

The J. C. Penney Company will celebrate its 40th Anniversary in April, 1942. Since its beginning in 1902, the purpose of the Company has been the continuous improvement of its operating methods to bring to the consumer quality products at lowest possible prices.

From the start, Mr. Penney wisely selected as his legitimate field that largest of all consumer groups, the worker and his family, in the lower income brackets. He reasoned that these were the customers who would most appreciate the elimination of unnecessary frills and services, and consequent emphasis on values.

Throughout the years, the Company has held to these fundamental ideas. Penney stores have no charge accounts; they make no deliveries; they are not conspicuous for expensive buildings or fixtures; they place their emphasis on quality merchandise . . . almost entirely in dry goods lines. The Company's purpose is still to offer the best possible values to the clerical worker and the skilled mechanic—the farmer and the wage earner—the home builder, and, in fact, the working man and woman of every class. These constitute the largest group of American consumers.

Along with this major objective, the Founder and his associates in the Company recognized that to assure constant and continuing development in the face of able competition, the Company would have to attract and maintain an outstanding personnel. This has been accomplished not only by rewarding the management staff in proportion to achievement, but also the expanding and developing group of co-workers. These latter are not only the mainstay of each day's business, but the

guarantee of continuing development and success. To this end, the Company has continuously made every effort to avoid unfair salary scales, and to provide liberal production bonuses and other rewards.

This policy has achieved many operating economies and advantages. It has cut down personnel turnover—the costliest item of industrial waste. It has given each store a responsible, localized management, which has created a strong customer loyalty, expressed in steadily increasing volume. It has kept supervisory expense down to a minimum. It has created a high order of loyalty and interest throughout the organization. Among Company personnel, there has never been a time when organization morale was finer than it is today—when the spirit, enthusiasm, intelligence and loyalty, inherent in the J. C. Penney Company from the very beginning, were more evident. This is especially important now that the demand for trained workers and management ability is so competitive.

These two basic policies—concentration on the Company's chosen field, and an enlightened attitude toward matters of personnel — have unquestionably contributed tremendously toward Company development. The J. C. Penney Company has every reason to feel that the sound principles upon which the business was established and to which it has held true, equip it well to meet today's trying conditions.

Millions of American consumers have learned to appreciate Penney stores. As the Company enters another decade this customer confidence, together with the fine cooperative spirit of the personnel, built solidly and consistently for forty years, constitutes its greatest source of strength.

**TO THE STOCKHOLDERS OF  
J. C. PENNEY COMPANY:**

With this letter are presented to you the December 31, 1941 Balance Sheet and supporting statements for J. C. Penney Company and its wholly owned subsidiaries. The figures included denote the year-end financial position of the Company and the results of its operation for the calendar year of 1941. I feel sure you will take satisfaction from the information the statements contain.

The total investment in merchandise for resale is larger, of course, than at the prior year-end. This is in keeping with increased volume of the Company's sales. Since we are mindful of the uncertainties of the times and the stress that can develop in connection with various sources of supply, the management feels that the merchandise investment presents a reasonably sound working position for current operations. Since we are also mindful of the hazards of the present, there is no disposition on the part of the management to do other than adopt a fairly conservative attitude in the merchandising of the Company's business.

Cash on hand and in banks on December 31 amounted to \$25,429,011.12. This amount is in ample proportion to immediately current requirements and should afford substantial reserve in meeting stringencies that may be faced in later developments.

The ratio of current assets to current liabilities, as shown, is about 3 to 1.

No change has occurred in the Company's policy as to fixed asset investment and, accordingly, the proportion of such investments to total available capital remains about the same as heretofore.

Sales for the calendar year of 1941 reached \$377,571,710.99. The expansion represented by this new peak in volume occurred largely in the second half of the year and coincided in great measure with the rapid expansion in industrial production incident to defense efforts of our country. Sales for early 1942 have continued in increased volume.

Net profit for 1941 amounted to \$17,128,104.35 equal to \$6.24 per share on each of the 2,743,984 Common shares outstanding at the year-end. This compares with \$16,230,608.84, or \$5.91 per share for the prior year-end. It is especially interesting to note that this increase in net profit was attained in the face of an increase in Federal taxes on Income from \$5,157,000.00 for 1940 to \$16,500,000.00 for 1941. This approximate tax increase is equivalent to a reduction in profit before taxes of about \$4.00 a share.

At the close of 1941 the Company was operating a total of 1605 stores, and an idea of the broad distribution of operations can be gained by a review of locations as to states as brought out on the map which is a part of this booklet report. The total number operated is a net increase of 19 from the close of 1940. For obvious reasons, as you can understand, the management plans no immediate major increase in stores operated during the near future. We expect, of course, to follow a reasonably conservative course and any new locations will result only from opportunities which the management feels should not be sacrificed.

Dividends for the year 1941 again totaled \$5.00 per share and were made up of four quarterly dividends of 75c each with a year-end extra of \$2.00. It was the Directors' judgment that, even in the face of uncertainties, the total distributed was conservatively in keeping with the year's earnings, current prospects, and financial position.

We have no idea exactly what the future holds in store for our Company. We realize that through taxes and voluntary efforts, which we have made in the past and expect to make

in the future, we must make sacrifices as a contribution to the very necessary war efforts of our nation. We find encouragement when reviewing our business that in rapid merchandise turnover, in the possibility of adjustment as to personnel and some expenses, in the ample cash and sound working capital position, and in a recognized, able, and loyal management staff in stores and central offices, we have tools to meet adverse conditions to a reasonable degree. One other factor to be kept in mind is that our business is almost entirely in what is known as soft lines or dry goods. While such lines are subject to dislocation because of the conditions, they should not ordinarily, in such times, meet the extreme dislocation of other lines.

I have felt it fitting in the past to acknowledge and pay some tribute in former letters of this nature to the efforts and loyalty of our group of workers and our management staff. I feel it as particularly fitting this year. We have, as others, lost many workers. Efficient and capable new help has been very hard to obtain, as our stockholders can realize. Our sales in the face of this have spectacularly expanded. Our profits, we feel, will be satisfactory to our stockholders and, before taxes, the profits also reached a new all-time high. While, of course, we have necessarily and willingly increased wages to meet the increased living costs and competitive levels, I believe strongly that the high degree of loyalty and fidelity manifested by our workers contributed in no small degree to the results obtained. I again take this opportunity to extend to both workers and management staff in stores and central offices my own appreciation and that of the Directors of the Company for their productive efforts.

Respectfully submitted,

March 11, 1942



President

# J. C. PENNEY COMPANY

(A DELAWARE CORPORATION)

## BALANCE SHEET

*As of December 31, 1941.*

### ASSETS

#### Current Assets:

Cash in Banks and on Hand (Note 1)	\$ 25,429,011.12
Accounts Receivable — Trade and Miscellaneous	736,264.88
Merchandise (Note 2)	80,339,780.28
Total Current Assets	106,505,056.28

#### Investments in and Advances to Subsidiary Companies (including undistributed surplus) — at amounts as shown by Subsidiaries' Balance Sheets:

Advances	\$4,520,000.00	
Capital Stock and Surplus	963,407.26	5,483,407.26

#### Mortgages Receivable

102,116.53

#### Fixed Assets, at not in excess of cost, less provision for depreciation:

Land		1,474,999.28	
Buildings	\$1,820,642.27		
Less Reserve for Depreciation	388,074.32	1,432,567.95	
		2,907,567.23	
Furniture and Fixtures, less Provision for Depreciation		9,358,264.82	
Improvements to Leaseholds, less Amortization		1,769,259.32	14,035,091.37

#### Deferred Charges — Unexpired Insurance Premiums, Rent Advances, Etc.

859,307.11

\$126,984,978.55

#### Notes:

- (1) After deducting employees' contract compensation due at December 31, 1941 but paid subsequently thereto.
- (2) Inventories are stated at the lower of cost or market determined as follows:
  - Merchandise in stores — lower of cost or market determined by the retail method.
  - Merchandise in warehouses — cost determined by the first-in first-out method and market on the basis of replacement cost.



# J. C. PENNEY COMPANY

(A DELAWARE CORPORATION)

## BALANCE SHEET

*As of December 31, 1941.*

### LIABILITIES

#### Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 21,258,795.60
Provision for Federal Taxes on Income	<u>16,617,755.28</u>
Total Current Liabilities	37,876,550.88

#### Reserve for Fire Losses, Etc., and Employees'

Death Benefits	2,472,681.86
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#### Common Stock, no par value:

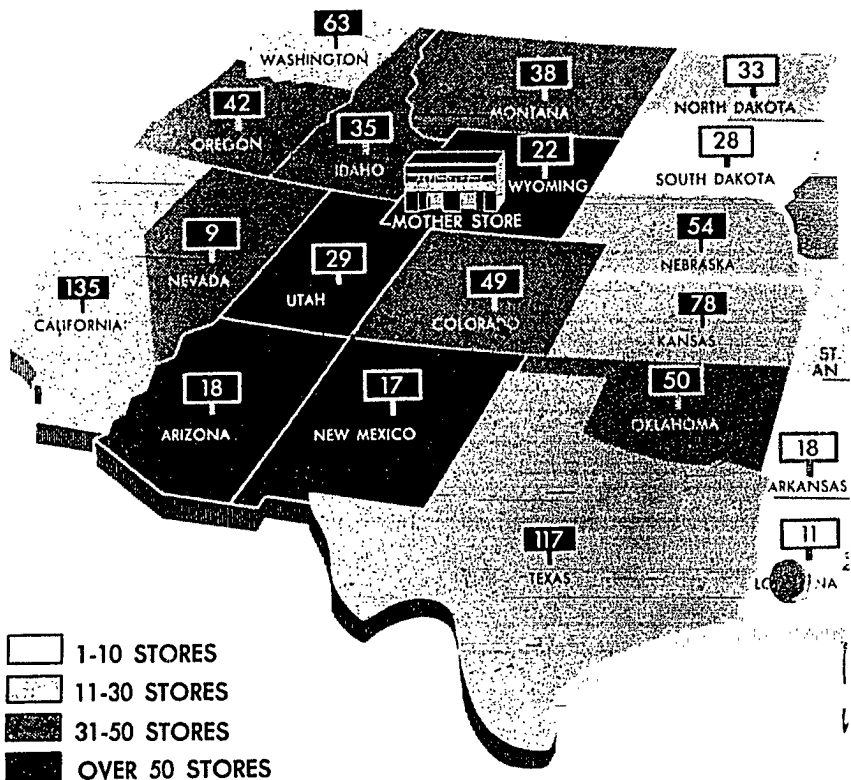
Authorized, 3,000,000 shares.	
Outstanding, 2,743,984 shares	33,822,766.67

#### Surplus (Earned):

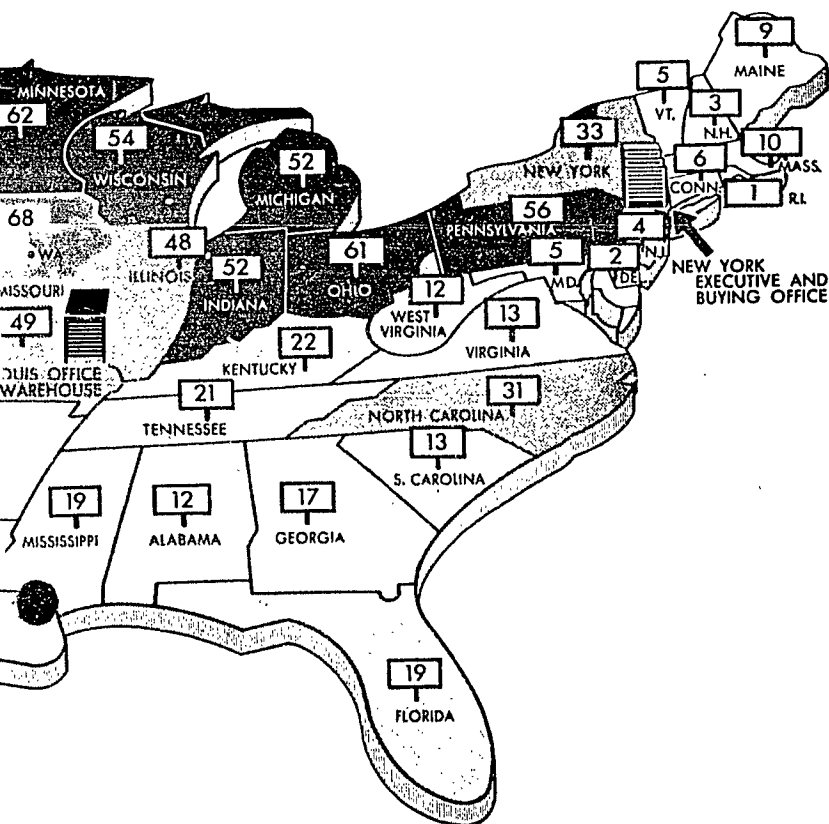
J. C. Penney Company	\$51,899,571.88	
Undistributed Surplus of Subsidiaries	<u>913,407.26</u>	
		52,812,979.14

\$126,984,978.55

# 1605 Bus Stores



# *Spread Over 48 States*



# J. C. PENNEY COMPANY

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1941.

(Including Profits of Subsidiaries)

Sales		\$377,571,710.99
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items specifically set forth below)	\$338,163,965.39	
Maintenance and Repairs	989,337.01	
Depreciation and Amortization	1,610,584.54	
Taxes, other than Taxes on Income	<u>3,932,768.01</u>	<u>344,696,654.95</u>
		32,875,056.04
Discount on Purchases, Interest Received and Miscellaneous Income (Net)		940,994.09
Net Profit before Provision for Taxes on Income		<u>33,816,050.13</u>
Provision for Taxes on Income:		
Federal Normal Income Tax and Surtax	7,850,000.00	
Federal Excess Profits Tax	8,650,000.00	
Other Income Taxes	<u>451,000.00</u>	<u>16,951,000.00</u>
		16,865,050.13
Add 1941 Profits of Subsidiaries		263,054.22
Transferred to Surplus		<u>\$ 17,128,104.35</u>

### Note:

Common Stock outstanding at end of year	Shares	<u>2,743,984</u>
Earnings per share of Common Stock, as above		<u>\$6.24</u>

## EARNED SURPLUS ACCOUNT

Surplus at December 31, 1940	\$49,404,794.79
Net Income for 1941	<u>17,128,104.35</u>
	66,532,899.14
Cash Dividends on Common Stock	<u>13,719,920.00</u>
Surplus at December 31, 1941	<u>\$52,812,979.14</u>

## ACCOUNTANTS' REPORT

To the Board of Directors,  
J. C. Penney Company,  
New York, N. Y.

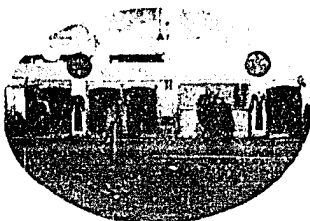
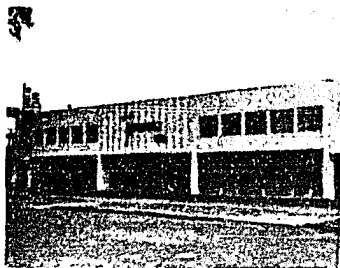
We have examined the Balance Sheet of the J. C. Penney Company as of December 31, 1941 and the statements of Profit and Loss and Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Balance Sheet and related statements of Profit and Loss and Surplus present fairly the position of the J. C. Penney Company at December 31, 1941 and the results of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

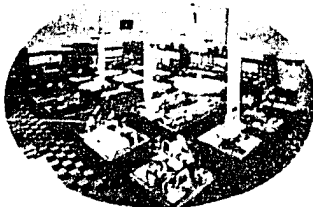
PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.  
March 11, 1942.

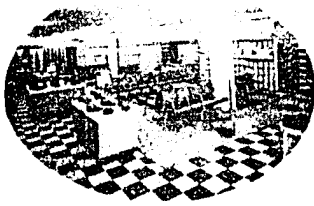
# 1941 — MARKED THE OPENING OF A NUMBER OF IMPORTANT NEW PENNEY STORES



Illustrated on this page are three of the several new Penney stores which were opened during 1941. The interior views are typical of the modern, though inexpensive, fixtures which are now being installed.

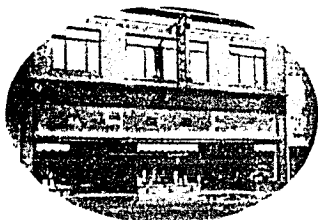


Daytona Beach, Florida, is illustrated at the top, Columbus, Ohio opposite, and Rochester, New York at the bottom of the page. The other new Penney stores opened during 1941 were spread over 15 states.

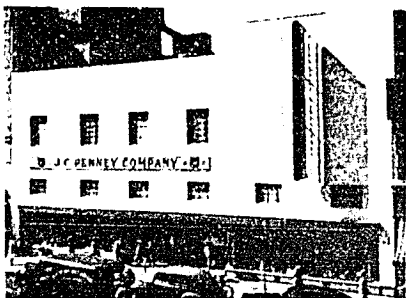


Daytona Beach illustrates the type of plant which the Company has been acquiring in smaller communities, Columbus and Rochester existing plants, in larger communities, completely remodeled, by landlords, for Penney occupancy.

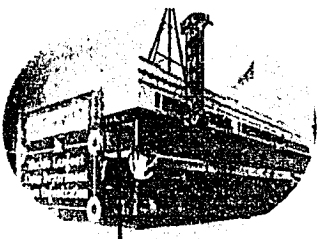
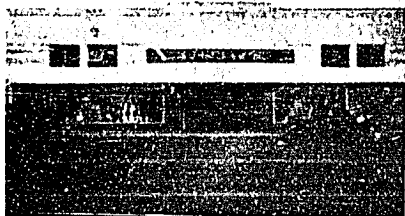
## 1941 — SAW CONTINUED PROGRESS IN THE MODERNIZATION OF ESTABLISHED PENNEY STORES



TULSA, OKLAHOMA—The Penney store (above) as it appeared in 1932 and (right) today. This is one of 171 existing stores remodeled and expanded during 1941, a modernization program similar to that of the past five years.



PORTLAND, OREGON — Twenty eight new buildings for existing Penney stores were erected by landlords during 1941. This neighborhood store, on Sandy Boulevard, Portland, is shown before and after moving into its new plant.



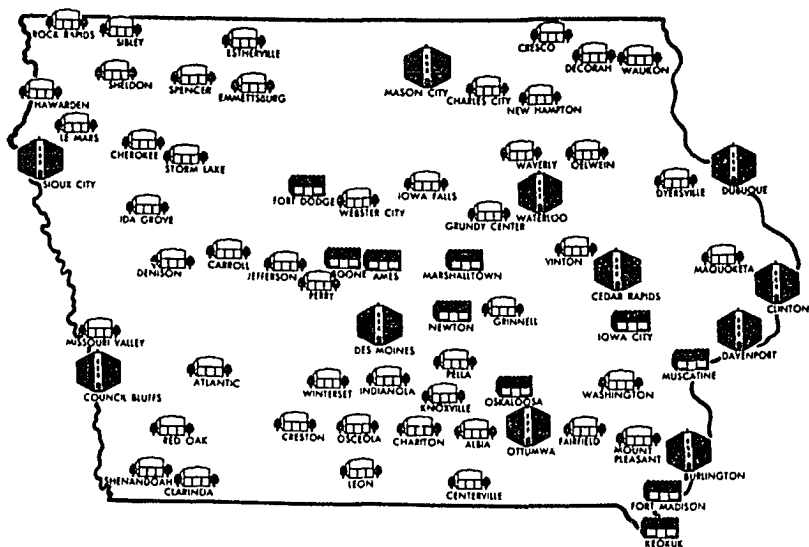
DENVER, COLORADO—Another neighborhood store on South Broadway, Denver, of which there are five in that city's trading area. The picture above shows the old in contrast to the new store which opened in November.



# IN STATE AFTER STATE PENNEY STORES COVER THE MAP

They serve all types of communities: big and little—agricultural and industrial—as this Penney map of the typical state of Iowa shows.

Wherever retail business is—whether it flows from country to city—or city to country—Penney stores are there to get it.



STORE IN CITY  
OF OVER 25,000  
POPULATION



STORE IN CITY  
OF 10,000-25,000  
POPULATION



STORE IN CITY  
UNDER 10,000  
POPULATION



# PENNEY'S OPENS

## A NEW KIND OF DEPARTMENT STORE



*for People Who Live Simply, But Well*

Penney stores are for families, for homemakers and their children.

We don't pretend to cater to the "luxury" trade . . . and we sell no "cheap" merchandise. But between the two are those excellent staple qualities that all thrifty people want.

Our basic idea is so simple and sound that we have now grown into over 1600 communities, serving millions of Americans in every State

**THE PENNEY IDEA IS: TO SERVE THE AVERAGE AMERICAN FAMILY WITH THE MERCHANDISE IT WANTS...  
EVERY DOLLAR BUYING THE FULLEST MEASURE OF REAL VALUE!**

You pay only for the merchandise. We offer no time payments, charge accounts, deliveries, or other services which would have to be included in the merchandise price.

We sell only for cash . . . this means many economies.

We move merchandise from factory to consumer with a minimum of expense.

We never overstate the value of anything we offer. We never quote comparative prices. We have no "sales". We have found in the long run that our customers like this straight forward way of doing business—with good, sound values every day all year round.

All these things mean savings to you

**J. C. PENNEY COMPANY, Inc. . . . Apparel and Shoes for the Whole Family . . .  
Domestics and Yard Goods . . . Things for the Home**

This type of advertisement was used during 1941 to announce the opening of remodelled and expanded Penney stores, as well as new units. It speaks directly to the Company's chosen customer groups, clearly stating Penney policy and practice, and what they mean to the individual in terms of economical shopping.

# J. C. PENNEY COMPANY

A DELAWARE CORPORATION

## Officers

J. C. PENNEY  
Chairman of the Board

E. C. SAMS  
President

J. I. H. HERBERT  
3rd Vice-President and Treasurer

A. W. HUGHES  
Vice-President

A. J. RASKOPF  
Secretary

W. A. REYNOLDS  
2nd Vice-President

R. W. TROWN  
Comptroller

## Directors

J. C. PENNEY, Chairman

E. C. SAMS

G. H. CROCKER

J. I. H. HERBERT

W. A. REYNOLDS

GEO. H. BUSHNELL

EARL A. ROSS

L. W. HYER

A. W. HUGHES

LEW V. DAY

F. W. BINZEN

